

Message Text

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ACTION EUR-25

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FM AMEMBASSY BUDAPEST
TO SECSTATE WASHDC 9729

C O N F I D E N T I A L BUDAPEST 2357

E. O. 11652: GDS

TAGS: EFIN, EIND, HU

SUBJECT: CLAIMS

REFERENCE: A. BUDAPEST 2310; B. BUDAPEST 2350

1. IN THE COURSE OF MY FAREWELL CALLS ON HUNGARIAN LEADERS I HAVE NOW MET WITH BOTH PRESIDENT LASZLO AND VICE PRESIDENT FEKETE OF THE HUNGARIAN NATIONAL BANK. ON THE BASIS OF THESE AND EARLIER EMBASSY DISCUSSIONS WITH BANK (REF A) I BELIEVE IT IS WORTHWHILE TO UNDERSCORE CERTAIN POINTS RELATING TO THE QUESTION OF THE OUTSTANDING \$4 MILLION WORLD WAR I CLAIM.

2. FIRST, I SEE NO LIKELIHOOD WHATSOEVER GOH WOULD BE INTERESTED IN SETTLING THIS OBLIGATION WHEN, AS IS APPARENTLY THE CASE, NO OTHER COUNTRY IN THE WORLD EXCEPT FINLAND HAS DONE SO. HUNGARIANS ARE AWARE OF THE FACT THAT WE HAVE NOT REQUESTED OUR NATO ALLIES WHO ARE IN DEFAULT TO PAY UP AND WOULD OBVIOUSLY DRAW THEIR OWN CONCLUSIONS. IT IS NOT HUNGARIAN STYLE TO GET OUT IN FRONT OF THE CROWD IN FOREIGN POLICY QUESTIONS AND THEY SURELY WOULD NOT DO SO ON THIS ISSUE.

3. HUNGARIANS BELIEVE IT IS OUR TURN TO DO SOMETHING FOR THEM. SEVERAL TIMES I HAVE BEEN TOLD THAT HUNGARIANS
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WERE DISAPPOINTED WHEN THE CROWN OF ST. STEPHEN WAS NOT RETURNED TO THEM AFTER THEY AGREED TO SETTLE OUTSTANDING CLAIMS AGAINST THEM. IF \$4 MILLION WORLD WAR I CLAIM WERE BROACHED TO THEM NOW HUNGARIANS WOULD UNDOUBTEDLY PRESS HARDER ON RETURN OF THE CROWN OF ST. STEPHEN. IT HAS BEEN US GOVERNMENT POSITION THAT CROWN IS NOT NEGOTIABLE ITEM AND WOULD BE RETURNED TO THEM WHEN SUBSTANTIAL IMPROVEMENT IN US- HUNGARIAN RELATIONS ACHIEVED. HUNGARIANS BELIEVE THIS CONDITION HAS BEEN MET. I AGREE. TO INTRODUCE A NEW CLAIM WHICH NO OTHER COUNTRY OTHER THAN FINLAND HAS MET WOULD SURELY RAISE MORE INSISTENT REQUEST THAT WE DELIVER ON OUR PART OF THE BARGAIN.

4. THERE IS, FINALLY, THE QUESTION OF GOOD FAITH. HUNGARIAN LEADERS FROM KADAR ON DOWN HAVE TOLD ME US ADMINISTRATION SINCERELY WANTS TO IMPROVE OUR BILATERAL RELATIONS FURTHER. THEY BELIEVE THEY HAVE ESTABLISHED THEIR GOOD WILL BY SIGNING THE CLAIMS AGREEMENT AND THEY ARE QUITE CONSCIOUS OF THE FACT THAT THIS ACT HAS BROUGHT THEM NOTHING TANGIBLE SO FAR, SINCE CONGRESS HAS NOT YET ACTED ON THE TRADE REFORM BILL. IF WE NOW RAISE WORLD WAR I CLAIM SUCH ACTION WOULD BE OPEN TO INTERPRETATION THAT, DESPITE OUR ASSURANCES TO THE CONTRARY, WE ARE LOOKING FOR WAYS TO SABOTAGE THIS PROCESS. NEEDLESS TO SAY, THIS WOULD BE MOST UNFORTUNATE IN VIEW OF THE GOOD PROGRESS WE HAVE MADE IN THE PAST FEW YEARS.

5. BASED ON THESE CONSIDERATIONS, I BELIEVE, THEREFORE, THAT IT WOULD BE WISEST FROM THE POINT OF VIEW OF OUR OWN INTERESTS NOT TO RAISE THIS WORLD WAR I CLAIM NOW. THE HUNGARIANS ARE APPARENTLY QUITE PREPARED TO DROP IT EVEN THOUGH FEKETE STILL RANKLES BECAUSE HE FEELS HE DID NOT FULLY INFORM THE GOVERNMENT OF ALL OUTSTANDING CLAIMS AGAINST HUNGARY. I BELIEVE IT WOULD BE MOST APPROPRIATE TO WAIT UNTIL A TIME IN THE FUTURE AFTER WE HAVE DISPOSED OF MFN, THE JOHNSON ACT AND THE CROWN OF ST. STEPHEN AS PROBLEMS, AND AFTER WE HAVE DUNNED OUR ALLIES, BEFORE WE MAKE A FINAL APPROACH ON THIS MATTER TO THE HUNGARIANS.

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